



**DEPARTMENT OF THE ARMY**

U.S. Army Corps of Engineers  
WASHINGTON, D.C. 20314-1000

REPLY TO  
ATTENTION OF:

CEPR-P (715)

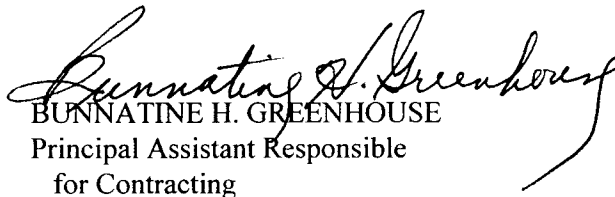
3 Dec '99

MEMORANDUM FOR COMMANDERS/DIRECTORS, ALL USACE COMMANDS

SUBJECT: PARC Instruction Letter 2000-1, Hollow Contract Definition

1. Reference USACE Fiscal Year 1999 Consolidated Command Guidance, July 1998.
2. In the referenced, Consolidated Command Guidance (CCG), a hollow contract is defined as any Indefinite Delivery Contract (IDC) with less than 33 percent usage. The term "hollow contract" applies to all IDCs that are to expire within one year following the report date and there is not a reasonable expectation for the usage rate to equal or exceed 33 percent within that period.
3. With the current emphasis within the Corps of Engineers on advanced acquisition planning, there is no reason for any Corps' activity to maintain a hollow contract. Hollow contracts are bad for business and can, when taken to the extreme, result in less competition and higher costs to the Corps. Therefore, program managers and contracting staffs, alike, should be surveying their customers on a regular basis for projected utilization of goods/services. It is the contracting officer's responsibility to ensure that before they award any IDC type contract, there exists sufficient requirements for the successful offeror to have a reasonable expectation for the full amount of the contract value (or portion thereof if a multiple award IDC). Contracts shall not be awarded with the intention of soliciting work on the basis of existing IDC capacity.
4. If for some reason the requirements on a contract should evaporate or the customer's funding is re-directed after contract award, then, the contracting office should, in coordination with the remainder of the product delivery team, consider terminating the contract for convenience, and definitely not exercise an option for extended performance.
5. My point of contact for this action is LTC Martin R. Tillman at (202) 761-8641.

FOR THE COMMANDER:

  
BUNNATINE H. GREENHOUSE  
Principal Assistant Responsible  
for Contracting

CF: Directors/Chiefs of Contracting